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27 September 1983

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2453

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# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

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NEW REGULATIONS ON AUTO EMISSIONS EVALUATED

East Berlin KFT-KRAFTFARHZEUGTECHNIK in German No 8, Aug 83 pp 229-230

[Article by S. Meidowski, engineer, GDR Exhaust Gas Control Office: "For a Cleaner Environment; on a Few Basic Problems in the Introduction of Regular Automobile Checks"]

[Text] On 1 March 1983 the latest promulgation of the Second Executive Regulation (DB) of the Fifth Executive Ordinance (DVO) of the Civil Code--Limiting, Monitoring and Reduction of Emissions of Internal Combustion Engines--of 15 February 1983 (GB1.1 Nr 5, p 52) went into effect. Reworking the earlier 1974 regulation became necessary. The basic promulgation served well in its time, but it no longer met the social requirements for more economical fuel utilization and for more effective control of the limits on health-degrading pollutants, especially in areas of dense traffic. This is understandable when one considers that the number of licensed trucks has increased to 130 percent and the number of licensed automobiles to 160 percent compared to 1974.

The reworked statutory regulation embodies current international regulations for test methods and limiting exhaust values plus accumulated experience in formulating an effective method for periodically checking carburetors, ignition systems and fuel injection devices of trucks now in service. At the same time, the scope of application was expanded to cover all internal-combustion engines in transportation vehicles, mobile machinery, aggregates and fixed installations. For assessing the present situation with regard to maintaining exhaust limits on trucks now in operation, it can be said that maintenance of the emission limits can be assured for future production trucks with new or redeveloped carburetion systems; however, operational trucks require continuous maintenance, monitoring of exhaust emissions and tuning of subsystems which influence fuel consumption to parameters and settings prescribed by the manufacturers. As is well known, too high a concentration of pollutants in the exhaust gas signifies uneconomical energy utilization through incomplete combustion, hence higher fuel consumption. In view of this fact, the Second Executive Regulation contains both regulations for type testing and production control for new vehicles and standards for uniform monitoring of operational trucks. Resulting from this is a list of obligations which must be satisfied by the owner or operator of a vehicle.

Specifically, the Second Executive Regulation states that firms which own or operate vehicles or installations with internal-combustion engines and individuals who own, drive or operate vehicles or installations with internal-combustion engines are obligated to have these inspected once a year and have the carburetor, ignition and injection systems adjusted in an authorized shop to meet the emission limits and to reset parameters to the manufacturers' required values. Manufacturers have made available to the authorized shops the necessary tuning instructions for the periodic inspection of these vehicles. This has not been done for motor cycles and motor bikes since no "CO<sub>1</sub> limits" have been specified in Table 1 appended to the Second Executive Regulation. However, the prerequisites for stepwise inclusion of these vehicles in the periodic inspection cycle are being created. The specified inspection frequency is a minimum requirement. For business vehicles the inspection frequency will in addition be synchronized with the technical maintenance intervals.

The initial periodic inspection must be accomplished by 30 April 1984. The accomplishment of the periodic inspection is to be evidenced on the certificate "Exhaust Gas/Miscellaneous Inspection" by the stamp of a person authorized to do the exhaust-gas check and the company stamp of the authorized shop. These demonstration certificates, which have been in circulation since 1977 for the exhaust-gas check (initially on a voluntary basis), are printed by Spremberg Forms Company (order number Kr 24/M). They are dispensed by shops which have been authorized to do the periodic inspection. As a rule, these are public truck maintenance shops; company shops of owners or operators or vehicles of fixed installations; contract shops of the producers of fixed internal-combustion-engine installations and service stations in the vicinity of agricultural and forest operations and food processing plants, to the extent that these organizations have the appropriate instrumentation and check-out equipment and authorized personnel who are qualified to do emission testing. The inspection certificate is to be carried as an attachment to the truck operator's license and is to be produced for authorized technical-inspection and exhaust-gas-testing personnel.

It is mandated as the basic duty of each authorized shop to undertake the periodic inspection commensurate with the prescribed scope of work and frequency of occurrence, including adjustment of parameters to values prescribed by the manufacturer and to accomplish an emission check and adjustment of parameters to manufacturers' specifications after any maintenance work on carburetors, ignition systems and fuel injectors. Public workers such as traffic safety officers are authorized to make the regular inspection when supported by an authorized shop.

Regulations also permit the private truck owner to decide for himself as to the scope of work ranging from a minimum list (checking and replacement or adjustment of air filter, carburetor, ignition, contact angle, spark timing and exhaust-gas) to a list which includes checking and adjusting additional engine parameters. This means that several job breakdowns were created for the regular check-up and adjustment of the carburetor, ignition and fuel injection system which are geared to both the condition of the individual truck

and the provisions of the maintenance contract. In accordance with the maintenance contract, a choice has to be made between two main variants in order to get an inspection sticker: 1. either to do the regular check-up by itself or in combination with one of 3 inspections (engine inspection, minor inspection and major inspection), or 2. the regular check-up in combination with the technical inspection. It is also possible to combine 2. with a major inspection.

With the creation of the previously described variants, the requirement was met to charge only once for common tasks contained in the technical check-up, the regular check-up and the inspections and to make available to the customer reasonable package prices. With regard to this, it is the duty of the contractor (authorized shop) to advise the customer upon entering into the maintenance contract--in accordance with Article 3 of AO of December 8, 1979--concerning the general conditions for accomplishing truck work (GB1 1 Nr 3, p 28) corresponding to the customer's specific request and the condition of the vehicle relative to the most practical method of accomplishing the work taking cognizance of the controlled-work price list--of February 2, 1983 (GB1 1 Nr 5, p 59)--14.1 of AO Nr Pr 423/1 which contains prices for maintenance and associated work on street vehicles, tractors and towed equipment.

Thus, for example, prices for the Trabant and Wartburg model automobiles for a regular check-up according to variant 1 (which guarantees minimum accomplishment for fulfilling the legal requirements listed in Article 2, Paragraph 2 of the Second Executive Regulation) amounts to DME 14.60 or DME 16.00. If this work were done within the scope of an inspection, the price would be lowered to DME 11.20 or DME 11.90. In case of variant II (work list which guarantees optimal check-up and engine tuning) for the same two vehicles, the prices amount to DME 25.4 and DME 33.10 and when done with an inspection, DME 16.20 and DME 21.40. In concluding this briefly circumscribed complex of regulatory considerations, it should be mentioned that in addition to the regular check-up, actions previously performed for emission control

carburetor adjustment, post adjustment on vehicle with infralyte exhaust-gas measuring equipment,

carburetor adjustment, post adjustment on vehicle with infralyte exhaust-gas measuring equipment plus temperature and rpm measurement and

smoke density measurement with smoke-density measuring equipment

will continue to be done for the purpose of emission control even though as individual steps they do not satisfy the minimum legal requirements. In this connection, let it be said that the existing controlled job prices for carburetor adjustment and miscellaneous engine diagnosis work will continue to apply without change.

In addition to regulations for periodic check-up of operational trucks and for the maximum allowable limits whose exceedences in the past (see Article 5 [2] of the Second Executive Regulation, 1974) were in some cases punished with a

fine or a deficiency citation as a traffic hinderance or hazard, the Second Executive Regulation also contains regulations covering allowable idling times for stopped traffic (stopped and parked trucks and traffic-caused stoppage of automobiles, both as defined by the highway code). Accordingly, idling in non-moving traffic longer than specified times is forbidden:

for gasoline engines in trucks;

longer than 30 sec at ambient temperatures above 0°C;

longer than 60 sec at ambient temperatures below 0°C;

for diesel engines in trucks;

longer than 2 min for ambient temperatures above 0°C;

longer than 3 min at ambient temperatures below 0°C.

Diesel-engine trucks manufactured before 1 January 1970 are allowed 100 percent longer idling times. The listed idling times do not apply to idling for the purpose of producing compressed air in the case of trucks with air brakes.

Idling to keep the engine warm is prohibited.

In the case of jammed traffic, especially at rail crossings, road crossings or intersections, all idling of internal combustion engines in trucks for a period longer than 60 sec is prohibited. Shutting down engines in stalled traffic lowers environmental pollution from exhaust gases, decreases the discomfort of drivers and cuts fuel consumption.

In this connection, several remarks are in order concerning the coordination of the numerous activities for assuring continuous surveillance of emissions from trucks with internal combustion engines. The central and business-management organizations which are responsible within their spheres for execution of the legal requirements are effectively supported at the territorial level by the professional transportation organizations in the regional and zoning councils and their working groups "Truck Exhaust Gases." They, together with the German people's police and public service units, organize functional street controls. Parallel to this, enforcement of the legal regulations is controlled by the GDR Exhaust-Gas Testing Station, the Transportation Inspection Agency and the ABI [Worker and Peasant Inspectorate]. The Exhaust-Gas Testing Station is the central control organization responsible for overall coordination of truck emission monitoring activities. It determines emission values and tests new and advanced developments of the truck manufacturing companies. With the organized street controls, the presence and currency of inspection certificates (carried as an attachment to the truck operator's license) is monitored; also exhaust-gas checks are carried out directly. In view of the fact that about 80 percent of licensed trucks are privately owned, it is obvious that regular tuning of gasoline engines is very important, but it is also important because of the increasing value placed on the health aspects of air as related to the



amount of carcinogenic hydrocarbons, carbon monoxide and lead contained in exhaust gases. Finally, it is emphasized that measuring exhaust gas concentrations and adjusting engine parameters require testing and measuring equipment which is only available at authorized shops.

Using the information in the preceeding discussion, every truck owner or operator should familiarize himself in a timely manner with the applicable parts of the Second Executive Regulation in order to be able to fulfill his legal responsibility and to vigorously support execution of the regulations.

9160

CSO: 2300/368

GERMAN DEMOCRATIC REPUBLIC

NEW MICROELECTRONICS INFORMATION SERVICE ESTABLISHED

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German  
Part I No 22, 23 Aug 83 pp 227-228

[Official text of "Order on Information Service for the Development and Application of Microelectronicis" dated 8 July 1983, signed by Meier, minister for electrical engineering and electronics]

[Text] To speed up the implementation of microelectronics in the GDR national economy, the following is hereby ordered in agreement with the chiefs of the appropriate central government agencies:

Article 1. Area of Applicability

(1) This order applies to all combines, enterprises, and installations that develop, produce, and/or use microelectronic structural components and sub-assemblies, and those that deal in such products.

(2) The use of microelectronics within the meaning of this order comprises the utilization:

Of separate and integrated electronic structural components and subassemblies from semiconductor technology, including optical electronics, power electronics, and hybrid technology,

Passive electronic structural components,

Peripheral components, such as sensors, operating elements, coding switches, micromotors,

In subassemblies, instruments, systems, and equipment which are developed and produced for socialist rationalization. This equally applies to the modernization of basic assets through the use of microelectronics.

Article 2. Basic Principles

(1) The Microelectronics Development and Application Information Service (hereafter called Information Service) serves for the collection and dissemination of knowledge and experiences concerning domestic and international levels:

In the development, production, and use of microelectronics in the electro-technology and electronics industry sector,

In the development and application of microelectronics in the other sectors of the national economy.

(2) The Information Service comprises the following:

Scientific-technical and economic information on domestic and international status in the development, production, and application of microelectronics;

Scientific-technical information on the assortment of electronic structural components available in the GDR currently and in terms of long-range projects, in agreement with the uniform basic principles of the Central Article Catalogue of the GDR National Economy;

Scientific-technical information on re-usable rationalization solutions and application cases involving microelectronics in instruments, systems, and equipment which were carried out on the basis of the structural component assortment available in the GDR.

(3) The information service is to be further expanded under the direction of the Berlin VEB Application Center for Electronics in the Microelectronics Combine VEB (hereafter called VEB AEB) and is to be so developed, in terms of division of labor, with structural-element-making and using combines, enterprises, and installations that it will promote the broad use of microelectronics in the national economy. Agreements are to be entered into regarding cooperation between the VEB AEB and the combines, enterprises, and installations.

#### Article 3. Information Service Functions

(1) On the basis of economic contracts with combines, enterprises, and installations, the VEB AEB must supply the following services and must make the following available for users in the national economy:

Scientific-technical and economic information from domestic and international literature, such as:

Information bulletins and brochures of an analytical-synthetic character,

Manager reports,

Bibliography studies,

Computer-based document search reports;

Scientific-technical reports on the assortment of electronic structural components which are currently available in the GDR and which are expected to be available in long-range terms (in agreement with the uniform basic principles of the Central Article Catalogue of the GDR National Economy) such as:

Structural component documentation for the list assortment,

Lists of electronic structural components,

Prospectuses, catalogues, data sheets, and brochures for electronic structural components, including the manufacturing enterprises;

Scientific-technical reports on re-usable rationalization solutions and application cases from microelectronics in instruments, systems, and equipment which were carried out on the basis of the structural component assortment available in the GDR, in keeping with the order of 25 August 1981 on the Establishment and Development of a Data Bank for Industrial Robot Technology (GBL, I, N 27, p 334) such as:

Computer-based reports on stored application cases from the "Central Search Storage Unit for Applied Microelectronics" (hereater called ZNAM),

User reports on special application cases,

Publications on selected application cases;

Current performance surveys on the overall information supply of the information service for the development and application of microelectronics.

(2) The work performances according to Paragraph 1 may be inspected at the microelectronics advisory and information agencies in the bezirks of the GDR and may be ordered from the VEB AEB or from the originating enterprise. The work performances must be billed to the client by the contractor according to applicable price-law regulations.

(3) Information orders are to be directed without specific format to the VEB AEB or to the appropriate advisory and information agency.

#### Article 4. Tasks of VEB Berlin Electronics Application Center

(1) The VEB AEB is to organize and coordinate the expansion and current operation of the information service and to perform services according to Article 3.

(2) The VEB AEB must efficiently organize the buildup and current operation of the ZNAM within the context of the Information Service.

(3) To guarantee the operation of the Information Service, the VEB AEB must prepare and conclude agreements on the exchange of relevant, scientific-technical information with the combines, enterprises, and installations mentioned in Article 1, Paragraph 1.

#### Article 5. Tasks of the Central Institute of Information and Documentation (ZIID)

(1) The ZIID must support the further expansion of the Information Service through corresponding requirements in the government guidelines for the

development of scientific-technical information and their supervision in the national economy sectors.

(2) As part of its responsibility for the coordination of international cooperation in the field of scientific-technical information between the GDR and the USSR, the ZIID must cooperate in the buildup and operation of the Information Service.

(3) From its inventory, the ZIID will make available to the VEB AEB information on the development, production, and application of microelectronics, especially from literature not available to the public, for processing for the Information Service and must independently carry out the information services in keeping with its mission.

#### Article 6. Tasks of Combines, Enterprises, and Installations

(1) The combines, enterprises, and installations are obligated:

In keeping with their research and production profile and depending on the particular applicable recording regulations, to record scientific-technical and economic information on the domestic and international status of microelectronics application, to store such information and, on request, including from the sources, to make such information available in the form of copies;

Within the particular basic arrangement means, to create possibilities for the researchability of the application of microelectronics;

To make its own rationalization solutions available for broad re-use on the basis of the structural component assortment available in the GDR; reports for the ZNAM are to be prepared in a "Microelectronics/Electronics User Report"<sup>1</sup> and are to be forwarded to the VEB AEB; documentation is to be supplied and consultation is to be provided upon request;

In accordance with Article 6, Paragraph 3, of the Decree of 17 December 1981 on the Specifications for Research and Development Tasks--Specifications Decree--(GBL, I, 1982, No 1, p 1), to inform itself on similar application cases prior to the start of the development or production or prior to the utilization of microelectronic rationalization solution, using the ZNAM, and to check the result with the specifications. If no similar application cases can be proved, the user report is to be forwarded to the VEB AEB in accordance with the provisions of Article 5, Paragraph 3, of the above mentioned decree, along with the record extract from the specifications; the advisory and information agencies in the bezirks are to be used in drafting the research question to be addressed to the ZNAM;

In the presence of relevant scientific-technical reports on the application of microelectronics, agreements are to be entered into with the VEB AEB on information exchange.

(2) The procurement of reports for the development, production, and application of microelectronics through participation in international fairs and exhibits,

congresses, symposia, and other forms of international information exchange, which are connected with the display of products, methods, and services, as well as through market study groups and the departments of the foreign sales and procurement agencies, is to be organized in terms of division of labor with the involvement of all foreign trade enterprises under the responsibility of the foreign trade enterprises within the electrotechnology and electronics industry sector. The reports are to be prepared in accordance with Paragraph 1 and are to be made available to the VEB AEB.

#### Article 7. Protection of Secrecy

Order, security, and secrecy protection are to be guaranteed on the basis of legal regulations. Legal regulations must be complied with during publicity work with scientific-technical information.

#### Article 8. Concluding Provision

This order takes effect as of its publication.

Berlin, 8 July 1983

#### FOOTNOTE

1. Forms entitled "Microelectronics/Electronics User Report" including directions as to how to fill them out (Registration No 0400/3/036 of the State Central Statistics Administration) are to be ordered from the VEB AEB, specifying the topic.

5058

CS0: 2300/386

STUDY SHOWS ENTERPRISES STILL FEAR SUBSTANTIVE CHANGE IN ORGANIZATION

Budapest FIGYELO in Hungarian 25 Aug 83 pp 1, 3

[Text] There has been no essential change in the direction and organization of industrial enterprises since the 1960's despite the fact that this ossified and overcentralized organizational system increasingly hinders flexible enterprise operation, the discovery of internal reserves and the desirable evolution of inter-enterprise interestedness.

Over the past 2 years, the Ministry of Industry has investigated the internal direction and organization of 40 enterprises. During this period we were attempting to learn whether the enterprises have realized the importance of developing their system of direction, how comprehensive their relevant ideas are and what obstacles exist to development of the internal system of direction. Most enterprises have recognized the need for complex development of the internal system of direction and organization; a smaller group of them believes that development of their system plays merely a secondary role in improvement of efficiency. We also encounter views that there is no hope of greatly improving the internal directorial mechanism without significant progress in greater enterprise independence.

Enterprise independence evolves and is formed through the interplay of the market mechanism and state economic guidance. It is a fact that in our circumstances the impact of the market is often weak; it also happens that the enterprises are unwilling to accept the judgment of the market and hope for aid from state intervention. In such cases the enterprises attempt to find the best "bargaining position" vis-a-vis the authorities and thus obtain special favors.

In the course of the investigation it was found that the enterprises most strongly affected by market forces were most apt to modernize their internal mechanism. This includes a managerial staff willing to modernize a mechanism that has served well enough in the past.

Comprehensive change of the internal directorial system and establishment of harmony between the sectors of management involved appeared as part of the organizational development concept of only a few enterprises. Most enterprises proposed to remedy specific single problems, to find solutions

which will overcome routine obstacles. It appears that many have failed to realize what a total restructuring of internal and external relations and processes the development of internal organization requires. Real organizational development is based on methodological principles quite different from traditional work and business management and requires active managerial participation.

Proposed improvements of decisionmaking suffer from the flaw of being partial and specific-issue-oriented rather than comprehensive. For instance, they are confined to production management or the exercise of employers' rights. At the great majority of enterprises studied, decisionmaking took place at too high a level.

Generally, the units within the enterprise are not self-accounting; with few exceptions, their accounting does not reflect results: the system of accounting remains simply a kind of record keeping.

Most enterprise development concepts call for improvement of the system of interestedness. Generally such efforts are centered on increasing personal interest in performance: for example, development and extension of forms of efficiency wages. In places concerned with the possibility of income differentiation in proportion to performance among the units, an effort can be noted to make regulators which affect the enterprise as a whole prevail within the units.

Unfortunately the dominating form at most enterprises continues to be complete centralization and redistribution of the financial incentive funds. This means that the enterprise units share without differentiation with no regard for performance. The way in which information is processed and transmitted at the enterprises also hampers efficiency. External information seldom reaches lower than top managerial echelons. Consequently, units already shielded from market effects fail to see the reason and need for changes which come to them in the form of instructions. At enterprises where there are management councils authorized to prepare and vote on decisions as well as professional committees with representatives from the factory units the flow of information is better.

Many enterprises claim to have established appropriate independence for the units. Certain signs of independence can indeed be detected, but closer analysis reveals that this independence is far from the kind that would lead to interest in better performance, promotion of initiative and innovation or a search for new business opportunities. This is because a "plan-bargaining" mechanism continues to exist between the large enterprise and its units. Thus units are interested in fighting for easy to fulfill plans because these are their channels for sharing in the financial incentive funds. Since these plans tend to reflect forced cooperation relations within the large enterprises as well as "fictional" prices for internal accounting, they contain many routine elements and their overfulfillment does not absolutely signify actual economic improvement.



The shortage of distributable funds, their distribution in advance or in sequence among the units leads to no genuine interest in improved results among said units. From this viewpoint only fuller independence such as establishment of profit centers can serve as the basis of economic interestedness for the units of an enterprise. To achieve this, it will not suffice for the enterprise center to pass labor affairs licenses on to the units nor to allow them a voice in certain marginal areas. A profit center can be created only if the unit is permitted to exercise all economic functions deriving from its business. This does not mean setting up an independent apparatus for all functions nor that each unit should do everything on its own. It does mean that the units should be actual partners of the enterprise center in matters concerning development, formulation of sales policy and, in special cases, have the right to independent buying and selling.

The management councils authorized to make decisions have a major role in realizing such conditions. In principle such councils provide possibility for the leaders of the factory units to participate in preparation of decisions by virtue of their decisionmaking rights. They can also promote their interests and become partners equal in rank to the enterprise centers. Possibly in this way we can reach the point at which improvement of economic efficiency will become the fundamental task in the relationship between enterprise centers and factory units. This in turn would enable enterprise centers to function as "possessors of capital" and conduct a development policy which would advance funds to the unit promising the greatest returns and profit on the investment for the entire enterprise. Such a method of directing an enterprise would lead to more dynamic product restructuring and flow of manpower.

Unfortunately many enterprise leaders, using the present difficult economic climate as an excuse, are unwilling to relinquish centralization of most functions. Due to problems in their outlook, obviously attributable to our having had relatively few positive experiences, they are incapable of believing that the additional responsibilities and initiative of units given greater independence can compensate for or even exceed the "results" of traditional methods (precisely on the basis of more direct economic interestedness on the part of said units). In many cases they argue that conditions for enhancing independence are lacking: for example, that the heads of the units are mere implementers; that functional areas have not been established; that there is a shortage of professional staffing. No mention is made of the fact that appropriate conditions can be created gradually through deliberate work and that said conditions will actually come into being when the spheres of authority are decentralized. (In certain cases it will be necessary to appoint new leaders to back up the local staff of professionals.) Most enterprises were critical of their internal organizational structure, and there is evidence of attempts to eliminate some stages of management. At the same time, one of the chief characteristics of proposals for organizational change was to combine certain functions and separate others. In other words there has been a mere reshuffling without a real move toward more flexible direction.

An economy operating in a dynamically changing environment can make no progress with unchanging, rigid enterprise organization. It would be desirable for the enterprises to continuously evaluate the extent to which their management systems permit flexibility. Naturally, there is a limit of tolerance to this: no enterprise can survive continuous reorganization. At the same time, all enterprises can be organized to have stable elements for standard tasks and mobile elements such as teams or task forces formed to achieve special goals.

Rigid, hierarchical direction can also be replaced by matrix organization where coordination takes place both horizontally and vertically. The entire outfit is set up to be mobile so there is no sense of disruption. Such a solution would require a drastic change in outlook because today enterprises still value stability above all. Both management and labor must learn to accept the need for continuous, positive change.

Although modernization of the internal system of direction is an enterprise job, it must be supported and motivated externally. This should be achieved not through administrative directives but through formulation of an economic guidance system which will force the enterprise to modernize direction and style of management. The Ministry of Industry will continue to aid development of the internal enterprise system of direction in line with the foregoing ideas. To achieve this, it will announce competitions and provide aid in methodology.

CSO: 2500/444

LACK OF OVERTIME BREEDS RESENTMENT AT TELEPHONE FACTORY

Budapest NEPSZAVA in Hungarian 19 Aug 83 p 7

[Article by Jeno Toth: "Overtime was Bad and Yet it is Missed"; passages enclosed in slantlines are printed in italics]

[Text] Previously, there was much overtime in the Telephone Factory. There was much work, the number of workers was slowly decreasing and even the installation of automatic machines of high global standard was unable to replace human hands and know-how. The workers grumbled because of the overtime. But last year, the situation changed. The world economic difficulties can also be strongly felt in the Telephone Factory. Orders have decreased and, like last year, at times the ready installations cannot be delivered because of the insolvency of the capitalist customer. In addition, there is a frequent lack of parts and, therefore, the production rate becomes less dynamic.

Excessive overtime ceased, there are fewer goal-oriented tasks, the workers long for the return of the years burdened with overtime. Namely, without overtime and goal-oriented tasks, most of them earn less by several 100 forints per month.

Previously, there was much work, goal-oriented task and overtime which regularly means 500-800 forints per month or more--reports Mrs Lajos Bodo, electrotechnician, union stewardess at the A-1 factory unit:

"On the other hand, this year we did not have even a bit of overtime so far. Earlier, we were grumbling against the excessive work and late quitting times, but now the money is missing."

/How much do you earn?/

The hourly wage is 21-22 forints here, in general, which is not too much considering that all employees here are well skilled workers and technicians. It amounts to about 4000 forints per month plus the shift bonus. My hourly wage is 22.10 after 26 years. What is good here, there is no difference between the wages of men and women. We all earn uniformly little--she adds pointedly. Because everyone finds his wages low with today's prices. That is the reason why they leave.

It is Not Immaterial What the Take-Home Pay is

/Are there many leaving the factory?/

Yes, there are. Recently, four of them left suddenly and for so much more money that it is not worthwhile to try to persuade them to stay. One of them got 28 forints instead of the 20 here. I know of only one former colleague who does not earn considerably more but he left because he was offended. He was not accepted to the vgm [enterprisal economic work community].

/How many are there in the economic work community?/

Ten of the 30. It was formed recently. It is needed, I admit, because that is the way to raise money for certain jobs. But it also has a moral drawback. It sets people against each other because it is not immaterial what one's take-home pay is. And I also don't understand why the income earned in the vgm is not included in the union membership fee. Someone who may eventually do a little overtime is paying 60 forints but those who may earn additional thousands in the vgm pay only 40 forints. Well, it is all the same. The important thing is that quite many of those who did not get into the vgm are leaving because of the low earnings. And they all go to small enterprises or cooperatives because the large enterprises are in a worse situation.

/What do you mean?/

There is at the most 1-2 forints difference in the hourly wages paid by large enterprises, they cannot offer 8-10 forint raises. But the cooperatives, branch enterprises and the like are operating under different economic conditions. Their tax rate, social fund and so on are different. Here hot water is demanded, there they are satisfied with the pan....

Robert Vizi, executive secretary of the enterprisal union committee relates that the number of workers is decreasing steadily and rapidly, skills as a Telephone Factory worker are sufficient for wages higher by 500 forints. A small enterprise is able to offer the higher wage to one or two good specialists who bring with them irreplaceable technical knowledge. On the other hand, the factory planned only a 4 percent wage increase but even that is not covered by funds at the moment.

It Appeared That There is Headless Management

Laszlo Pritz, head of the economic committee of vszb [enterprisal social committee] gives the answer. He explains that only 85 percent of the income plan for the first half of the year was fulfilled. The main reason is lack of material. The purchase of imported parts is a constant struggle and even the domestic enterprises do not deliver regularly. They also frequently cite the lack of hard-currency basic materials. Therefore, the circuit boards must be handled frequently and money is invested in insufficiently equipped circuits which do not furnish profit. It happens that, because of the lack of 1-2 integrated circuits, installations worth many 100 million forints are standing in the workshops.

/Accordingly, there will not be any resources to cover the wage increase?/

This is the most critical problem faced by our management--said Laszlo Pritz. We intended to raise most of what is needed for the 4 percent wage increase from an increased hard currency export. But this is very difficult now. The first half of the year was not successful. Although the export goods were produced, in spite of the material supply problems, but the capitalist buyer became insolvent and, therefore, we did not deliver. I must say, we have bad luck. But we are confident that we will make up for the delay by the end of the year.

/What do the workers say to this?/

What would they say? Such a thing always decreases morale because it involves money. The problems with material supply started around the middle of last year, when the people still watched uncomprehendingly what was happening. Partly completed installations were taken out of their hands, they thought the management lost its head. But later they understood. True, they did not accept it.

Mrs Lajos Bodo, union stewardess tells us that the work is either too much or too little. Right now there is hardly any.

/Are the wages also lower at such a time?/

If there is no standstill time, only insofar as overtime and goal-oriented tasks are lacking. But standstill time we did not have for a very long time. They always give us some work.

Dezso Csaki, electric standardizer, union steward also complains about the wages. According to him it is the general opinion in the workshop that the skilled electric workers are inadequately paid. Although they started with tube installations, followed by transistors and now the integrated circuit, in other words, they have to learn constantly here and a new man merely helps out for 5 years. Not because he is badly trained but because he does not have enough experience in this work.

Even This Crisis Cannot Last Forever

The wages are low, price increases are steep--he complains. We earn as much today as we did 6 years ago. It is lucky that I was accepted to the vgm because otherwise I also would have left already. One of the young fellows just said that he is leaving because he was offered 25 forints elsewhere. The same that I get after 25 years. The cadre that started out here originally does not get decent appreciation either. There was extra vacation, it was done away with. Right now there is still a 2000 forint bonus after 20 years but I don't know how long. In other words, one should not stay at one place for long. Those benefit who look for a new workplace every 4-5 years and always get higher pay.

/How much do you earn in the economic work community?/

We accept 100 hours per month at an hourly wage of about 40 forints. Tax is deducted, about 3000 is left.

/That is not bad./

I did not say it is bad. On the contrary. But we do work for it.

/In other words, those who have gotten into the work community have increased their income by at least 50 percent./

Well, not quite. Because we have also earned that much before with overtime and goal-oriented tasks. But now not everyone gets a share. Only those who can stay here at any time. There is also controversy about it, but what can we do? On the other hand, it is a fact that those left out do quit their job more readily. It is lucky that the old skilled workers do not move easily.

/At the time of a wage increase, why don't they distinguish in favor of the well-skilled workers?/

To distinguish? We have a crew here where everyone is equally well trained. A less well skilled worker would not even earn enough to feed himself. In other words, a differentiation here is possible only if Kovacs gets it this year and Szabo doesn't and the other way around next year.

Robert Vizi nods in agreement. Then he adds:

The trouble is that we manufacture investment goods. There is deep recession the world over, and if there is no money, investment is the first to decline. It would certainly be easier if we would be making foodstuff. One still must eat, but one need not invest. But, with all our troubles, we are confident. This crisis cannot last forever.

2473

CSO: 2500/426

DEVELOPMENT OF TRADE WITH PRC DISCUSSED

Warsaw RZECZPOSPOLITA in Polish 7 Jul 83 p 6

[Interview] with Hu Jie, trade counsel of the PRC Embassy in Warsaw, by Tomasz Bartoszewicz: "Poland-PRC--New Perspectives of Cooperation"

[Text] [Question] Mr. Counsellor, how would you characterize in the most general terms the recent development of Polish-Chinese economic relations?

[Answer] The PRC and Poland have shared a tradition of cooperation for many years. The essential fact there is that both countries are aiming at a comprehensive development of economic and commercial relations based on principles of equal rights, mutual benefits, needs and opportunities.

In accordance with the 1983 trade agreement, reciprocal sales will increase 50 percent in the current year over 1982 and amount to 403 million Swiss francs. If we add to that sum the barter agreement signed in March of the current year in Beijing during the visit by W. Gwiazda, deputy minister of foreign trade of the Polish People's Republic, they will total 470 million francs. I should like to underscore the fact that this is the highest figure in the history of Polish-Chinese trade relations.

[Question] What are the principal goods exchanged between our countries?

[Answer] The PRC exports to Poland, among other things, rice (45,000 tons), rape oil (20 tons), canned fruit and vegetables in the value of 7 million Swiss francs, 5,000 tons of tea, various textile goods and garments, footwear, hog bristles and guts, essential oils, school and office supplies, minerals and nonferrous metals (among others, tungsten), automobile tires, chemicals and raw materials for pharmaceutical production. In turn, among Polish exports the most important are machinery and equipment, among other things: coal combines, carding machines, mining turnstiles, machine tools for railways, high-pressure boilers, safety devices for miners as well as containers, metallurgical products, technical sulfur, soda ash and technical sulfur [as published], carbide and chemicals. In addition, this year we shall import from Poland 15,000 sets (the so-called kits) for the assembly of television receivers and [illegible] Fiat 125 passenger automobiles. After a long pause we have also renewed imports of refined sugar (50,000 tons).

Question You have mentioned a barter agreement. May I ask you to explain that in greater detail?

Answer Within the framework of our barter agreement we supply Poland with additional rice, rape oil, tungsten and some market goods in exchange for sugar and metallurgical products from Poland.

Question Chinese pork--which by the way has gained considerable popularity--could be found quite often in Polish stores last year...

Answer In view of the temporary economic difficulties in Poland, particularly with market supplies, in 1982 the PRC government granted Poland a 10-year interest-free credit for the procurement of 50,000 tons of top-grade pork.

This year we signed a new credit agreement under the same conditions as last year, however, the delivery of meat will be slightly lower. Initially it should amount to 20,000 tons of frozen halved pork carcasses.

Question The Chipolbrok Polish Chinese Navigation Association was organized in the early 1950's. How does it operate at present?

Answer I should like to begin with the fact that it conducts all commercial transports between the PRC and Poland, the CSSR and Hungary. At this time it has at its disposal more than 20 modern ships. Last year cargoes in the amount of 200,000 tons were shipped from Gdynia to Chinese ports, which is a record in the history of the association. According to a forecast for this year, there will be even more cargoes.

On the whole, we greatly appreciate the already 32-year operation of the association and its contribution to the development of the relations between our countries.

Question We have been observing for some time a revival of cooperation in research and development between Poland and the PRC...

Answer Indeed. Last year during a session of the intergovernmental commission for cooperation in research and development (as a matter of fact, it is now administered by deputy ministers of ministries for research and development), 35 topics were adopted for cooperation. Furthermore, we concluded an agreement with the Polish party according to which visits of delegations for study or training purposes will not be on principle subject to hard currency exchange, which cuts the costs in a major way. This year 18 delegations from the PRC will study in Poland, while 17 Polish delegations will come to China. Moreover, exchanges of experts, particularly in the fields of mining, machine and electrical engineering, shipping and construction as well as agriculture are under way. Exchanges of researchers help enhance the traditional friendship and cooperation between our countries.

Question Does our cooperation in research and development lead to specific economic cooperation?



[Answer] Very often it does. Right now the Polish party is taking part in the expansion of lead and tin mines in the Yunnan province in south China (by the way, it is known in Poland primarily for its famous tea). In turn, the Chinese party will supply Poland with nonferrous metals. Also, initial negotiations about opportunities for cooperation in exploitation of sulfur deposits in China are under way.

Incidentally, that issue was on the agenda of discussions during the recent visit of a delegation from the PRC Ministry of Mining in Poland.

[Question] There is considerable talk about the programs for modernization of projects built in the PRC in the 1950's with the cooperation of the Polish party, among other things, of several sugar mills and coal-processing plants. Have these issues been already dealt with in specific negotiations?

[Answer] The projects you mention play a meaningful role in our country's economy. The Polish party informed us recently that it was ready to participate in modernization of those projects. The proposal of the Polish party is now being studied by appropriate ministries of the PRC. It is my personal opinion that if we resolve some problems, this issue may become reality. Obviously, that would contribute to the further development of economic and trade cooperation between our countries.

9004

CSO: 2600/1222

PARTY COMMITTEES CONFER ON ECONOMIC POLICY ISSUES

Reform Program Changes

Warsaw TRYBUNA LUDU in Polish 24 Jun 83 p 2

[Article by Andrzej Leszczynski: "Practice Dictates Changes" under the rubric "At the Commissions of the PZPR Central Committee"; passages enclosed in slantlines printed in boldface in the original source]

[Text] (OWN INFORMATION) The Commission for the Economic Reform and Economic Policy under the PZPR Central Committee had deliberated on 23 June of this year. Its session was devoted to assessing the proposed changes in the solutions of the economic reform being drafted by the government plenipotentiary.

The session was chaired by Stanislaw Opalko, member of the Central Committee Politburo. The participants included a group of deputies, Professor Wladyslaw Baka, the government plenipotentiary for the economic reform, and Stanislaw Gebala, head of the Central Committee's Economic Department.

The opening report was presented by Franciszek Kubiczek, first deputy director of the Economic Department, who discussed the conclusions from the consultations of plant workforces concerning the proposed revisions of the reform, conducted at the plants by the province party committees.

F. Kubiczek declared that these consultations revealed that the draft proposals are being viewed positively. It should be pointed out, however, that no allowance was made for such important problems as changes in the /organization of the economy and the functioning of self-government and supervising councils at enterprises, as well as for the lack of solutions promoting an increase in consumer goods production./ These issues were raised in the discussion.

Among other things, Prof Jozef Pajestka declared that, in his opinion, if these changes are to be comprehensive, the financial authorities should be required to offer a program for building up trust in money as well as to draft principles for investment credit.

The need for a comprehensive treatment of economic problems was discussed by Gen Mieczyslaw Obiedzinski. In this connection, Wieslaw Rydygier, secretary of the Economic Council under the KRM [expansion unknown], Stanislaw Kukuryka, Minister of Construction, and others pointed to the need for an explicit definition of the competences of the founding organs and determination of the procedures for the action of central authorities vis a vis the enterprises.

Taking a position on these problems, Prof W. Baka stated that revisions in economic mechanisms have been drafted as the first stage. In the near future--he predicted--proposals for changes in the organization of the economy and the activities of the central authorities will be submitted.

Both the assessments sent in by the Province Committees and the discussion at the session pointed to several acute issues:

/--At the plants the solutions that appear to detract from enterprise autonomy have been quite widely opposed./

/--Both these and other discussants opposed, in particular, the proposal to establish as a criterion the evaluation of production cost based on model norms and normatives developed at the ministerial R&D bases.

/--The empowering of the Minister of Finance to alter the turnover tax rates within a year was questioned./

/--The centralization of part of the sinking funds was opposed./

Commenting on these issues, W. Baka also stated that, in the absence of market mechanisms, it is necessary to explore ways and means of prompting the enterprises toward economical and more rational management. The means of indirect pressure are of an interim nature. He supported those discussants who pointed out that /the changes introduced at present are due not to mistakes in the reform but the natural evolution of the situation and new needs and possibilities that are arising.. The proposed changes outline the process of maturation of the idea of the reform./

/St. Opalko stressed the role and importance of worker self-government in the reformed economy. Any attempts to reduce its competences basically represent attempts to restrict socialist democracy. The speaker emphasized the need for greater concern by the party for fostering various forms of worker self-government./

/Next, he drew attention to the need to define the scope of competences of the central authorities in the spirit of the economic reform whose assumptions were resolved upon by the 11th Party Congress./

#### Shipbuilding Industry Expansion

Warsaw TRYBUNA LUDU in Polish 24 Jun 83 p 2

[PAP report: "Development of the Shipbuilding Industry" under the rubric "At the Commissions of the PZPR Central Committee"; passages enclosed in slantlines printed in boldface in the original source]

[Text] /The Ministry of Metallurgy and Machinery Industry has prepared a draft program on the conditions and ways of development of the Polish shipbuilding industry./

This program was examined and evaluated on 23 [Jun 83] by the Maritime Commission of the PZPR Central Committee, at a session chaired by Stanislaw Bejger, candidate member of the Politburo of the Central Committee and first secretary of the Gdansk Province PZPR Committee.

The shipbuilding industry can be confidently termed an "export industry" without exaggerating. Sales of shipping are a major source of foreign-exchange revenues to this country. In 1980 it was the world's second largest exporter of ships. The 2 subsequent years were a period of substantial decline in shipbuilding, owing chiefly to the economic crisis. But already in 1985 the output of Polish shipyards should be at least half as high as in 1980. A total of 207 ships has been ordered for construction during 1983-1985. Their sale will yield to us about 900 million dollars and rubles, and in addition, domestic shipowners will pay 20 billion zlotys for the 30 ships being built for them. But accomplishing this will require a marked increase in labor productivity. Several thousand persons will have to be additionally hired and substantial investments made./

The feasibility of precisely these two postulates was the main topic of discussion among the commission's members. The problem of employment is particularly difficult. There are no surplus manpower resources in the Coastal regions, while people living in the interior are not eager to relocate there owing to the housing shortage. They also are discouraged by the working conditions in the shipyards. The principal source for financing the investments has to be--in the present situation--the shipyard's own capital.

The resolution taken by the Maritime Commission of the Central Committee states that the modernization of the shipbuilding industry and the co-producing subsectors is needed but the ways of achieving this goal should allow for the economic realities.

The Commission also considered the changes desired by the maritime industry as regards the decree on higher education and supported the need to update it.

1386

CSO: 2600/1061

RAIL INDUSTRY APPRAISAL FOR FIRST HALF OF 1983

Warsaw SYGNALY in Polish No 32, 10 Aug 83 p 1

[Article by Benedykt Czekala]

[Text] The editors obtained the precise information on rail transport for the first 6 months of this year from the General Headquarters of the Polish State Railways [PKP].

And so, during this period, 202,485 tons of freight--more by 8,575.8 tons than in a similar period last year--was moved by rail. However, full accomplishment of the midyear tasks fell short by 1,106.7 tons of goods.

The transfer schedule for bituminous coal and lignite, stone, petroleum and its byproducts, bricks, chemical products, grain, potatoes, sugar beets and transit goods was fulfilled in excess of the plan.

On the other hand, the transport of ore and pyrite, sand and gravel, metals and metal products, cement and chemical fertilizer, as well as lumber and wood products was less than anticipated.

The import of ore was less than planned.

The mild winter allowed the transport of 800,000 tons of sand and gravel more in the first quarter of 1983 than in the same period last year. Difficulties in this area appeared in June. Because of the shortage of locomotives and road crews, and also as a result of other operational complications, the turnaround time of shuttle trains--comprised of self-tipping freight cars--by which aggregate from southwestern Poland is supplied to Warsaw, Lublin and Lodz, lengthened; and these centers are experiencing a shortage of sand and gravel most severely. Other regions, to which aggregate from closer sources is delivered by shuttle trains, comprised of slightly defective coal cars, are in better circumstances.

In the first 4 months, cement plants demanded an increased supply of covered freight cars from the PKP. This was in connection with the partial reduction in the use of cement cars. Later, from mid-May, when the more intensive use of cement cars was begun, the demand for covered freight cars decreased. Lately, the cement plants have decided to lease 50 yards made up of covered

freight cars from the railroad, which they themselves...are reconditioning. The appropriate arrangements in this matter have already been negotiated.

Delays in the transport of chemical fertilizers mainly involves lime, which is moved in defective coal cars. When more of these cars have to be made available for the loading of coal, there are not enough of them for the transport of lime.

In the second half of the year, the railroad will have to carry at least 206.7 million tons of freight. Plans for the third and fourth quarter, and delays from the first half of the year, comprise this volume.

As before, transport of bituminous coal will have absolute priority. In the first half of the year, 78,664 tons of this fuel were transported by freight car, 1,664 tons more than in such a period in 1982. In the second half of the year, at least 76,986 tons of coal should be transported by trains. Toward the end of June, 1.9 million tons of coal was lying in heaps near the mines, and by 19 July--2.1 million. At the same time, coal reserves held by its buyers are 4.5 million tons more than in the past year. Most contractors, having considerable reserves, periodically limit acceptance of this fuel by whole trainloads. That is why, more than usual, coal is shipped in small groups of freight cars to its scattered buyers. The turnaround time for coal cars is lengthened and, thus, increases its shortages.

In November 1980, when the railroad still had a good deal of potential, all kinds of restrictions were eliminated in the acceptances of shipments for transport by rail. Last autumn, when the possibilities for the PKP diminished, some restrictions were reinstated for the moving of freight by trains over distances of less than 50 km. On 1 August of last year, subsequent greater rigors were introduced in this area.

This means that railwaymen must once again turn away that freight which can be transported by truck. They are doing this not only by increasing various administrative bans. They are also reaching for economic instruments.

In the past months, the transport of coal by truck for short distances has decreased. This coal had been transferred to the railroad, which had been transporting it--in a zone of less than 50 km--cheaper than truck transport. In order to counteract this, the minimal-distance tariff was increased to 100 km. Now the transport of coal by truck for a relatively short distance is cheaper by railcar.

It is difficult to say today what volume and what kind of agricultural products the railroad will have to transport in the current year. Everything will depend on the magnitude and terms of its market. In the last year, for example, the rail transport of potatoes for industrial uses decreased (they were all sold for consumption).

Large places of employment were buying potatoes directly from the farmers and transported potatoes with their own trucks. What this portends for next autumn is still uncertain. If such a need will occur, potatoes for

consumption for the people of Slask will be transported--as in previous years--in covered coal cars. For the transport of potatoes for industrial uses, the railroad is prepared to assign shuttle trains, comprised of slightly defective railcars.

There should be no difficulties in the transport of grain. We have, among other things, 34 special container warehouses for this purpose, assuring the shipping of grain without sustaining any losses of it. Shuttle trains of slightly defective supply trains are put to use in the transport of sugar beets over relatively short distances.

This will demand, however, a certain deviation from the rule that the railroad not accept goods for transport over a distance of less than 50 km, if this does not affect entire train shipments, with respect to siding track to siding track. After all, beets are loaded on tracks of general use.

In recent years, the tussock moth has destroyed substantial tracts of forests in the Pomorsk and Northern OKP regions. Much of the standing timber there was also ruined by hurricanes. The withered, overturned or broken trees must be cleared away from the woods as soon as possible. Thus, pressure is growing for this raw material for sawmills, cellulose and paper factories as well as...for the railroad. In the current year, from the cited regions, 800,000 cubic meters of lumber should be brought out on platforms, mainly to sawmills in southern areas of the country (the clearing of forests is suspended there). Railwaymen do not always have as many platforms as is needed for efficient shipping of lumber.

Some cellulose and paper factories have a relative excess of woodpulp. Factories in Swiecie and Kwidzyn periodically even limit acceptance of woodpulp. Thus, piles of the woodpulp quickly grow in stores near railroad stations. Luckily, this is happening so not because of any fault of the PKP.

9891

CSO: 2600/1244

VICE MINISTER RATES PERFORMANCE OF APPAREL INDUSTRY

Bydgoszcz GAZETA POMORSKA in Polish 15 Aug 83 p 3

[Interview with Stanislaw Klos, deputy minister of chemical and light industries by Ryszard Nalecz; date and place not specified]

[Text] During the period of deepest crisis it was agreed that the basic means of overcoming the crisis would be for mining and energy to get a second wind and to improve the supply of foodstuffs to the market. Today, when this first stage is behind us, we are thinking more and more often about what we will be wearing, and this is decided by the production of the light industry. A journalist of the Polish Press Agency [PAP] talked about the problems of this type of industry with the deputy minister of chemical and light industries, Stanislaw Klos.

[Question] Queues in front of stores selling the goods produced by light industry can convince us that this industry is not keeping up with market demand. Is there really such a shortage of these goods?

[Answer] The market supply of many goods produced by the enterprises grouped in this industry did indeed decrease significantly as a result of a drastic fall in production, especially during the past year. Our production plans for this year are still lower than those for 1979. The situation will be a little better in the production of hosiery, of clothing made of fabrics and of shoes.

[Question] What were the causes of such a drastic fall in production?

[Answer] The drop in employment was and continues to be the main cause. An absolute fall in employment during the last 4 years meant a loss of 117,000 people. As a result, work on the third shift was almost completely eliminated in the textile industry. During the first half of this year, employment fell by an additional 22,000 workers. Limited influx of funds intended for investment in the light industry also contributed to a significant decrease of production.



[Question] Plans for the current year were set very low. Are they being realized?

[Answer] It is impossible to agree with the claim that plans for the enterprises were set on a low level since production in the light industry shows a smaller decrease than the drop in employment. We assumed an improvement in the supply of basic goods necessary for everyday life. In order to accomplish this goal, part of the production was included in operational programs and government orders, while, at the same time, export of the products of the light industry was being limited. The realization of plans for the first half of the year was higher by 13.5 percent than during the same period last year. In some stocks, however, an agreement between the sum of the plans of the enterprises and the goals assumed by the central plan was not achieved. This was the case in the production of fabrics, apparel and knits. We undertook many actions aimed at the elimination of these discrepancies. We were able to affect a significant improvement in the supply of raw materials.

On our initiative, 234 enterprises are benefitting from reductions in FAZ, and in addition, further 163 enterprises received the so-called quota increases of wages which are free of liabilities connected with this fund. This was done in order to stimulate production.

[Question] From what you have said it appears that there is no longer a lack of raw materials for the light industry, while the growth in production is too slow. Are we not making a fetish out of the problem of employment?

[Answer] Data which I had given previously show, I believe, unequivocally that it is the lack of workers which functions as a main cause of the difficulties in the light industry. We do not predict any radical improvement in this respect in the near future, and greater production can result above all from the growth of productivity and from the use of more efficient techniques of production. We must also broaden the use by the enterprises of motivational systems of compensation which reward efficiency and quality of production. As far as the possibilities of increased production are concerned, it is also necessary to work on free Saturdays in exchange for preferential wages.

Some of our hopes are also connected with the decision of July 25 of the Council of Ministers which ensures conditions benefitting market production in 1983 and the following years.

According to this decision, the minister of chemical and light industries received the right to divide among the enterprises a sum of 5.6 billion zlotys, that is, the sum by which the compensation fund free from liabilities for FAZ had been increased in the second half of 1983. In exchange, light industry enterprises will be forced to deliver to the market increased quantities of goods valued at at least 40 billion zlotys.

[Question] How many and which enterprises will sign the agreements about additional production? Will it indeed be the most needed kind of production?

[Answer] Negotiations with factories and conglomerates are in progress. They should be concluded by the middle of the month. Agreements are reached as if on the principle of bargaining--you provide such and such increased production, and you will receive so much additional funds for compensation. We take into account the usefulness of declared production, the present level of production in comparison with the actual possibilities of the enterprise, the degree to which employment fell, and many other factors. We estimate that agreements will be made with 450-500 enterprises. They will concern the production of yarn, cotton and synthetic thread, knitted goods, hosiery, apparel, open weave fabrics as well as rugs, floor coverings, etc. I will not hide the fact that we are counting on the fact that this new solution might lessen the drastic shortage of workers. For the time being, unfortunately, in addition to continuing shortages on the market, we can observe a worsening of the quality of goods produced by the light industry. This, in turn, increases the demand.

It might sound brutal, but quality is made in an enterprise, not in the ministry. We know that it often leaves much to be desired, but in a situation of a constant fall in employment, managers of enterprises are feverishly searching for technical and technological solutions, sometimes only in order to hold steady the quantity of goods produced. The time for maintenance and conservation of machines is being shortened. And, unfortunately, one can also encounter cases of more liberal quality control. A decisive improvement can occur only after quantitative needs are fulfilled. So, for example, in the case of shoes, the supply of which will be higher this year than at any other time, we are calling the next year already "the year of quality."

Independently, in accordance with the principles of the reform, we suggested the introduction of systemic solutions which would stimulate improvements in the quality of finishing, and in pattern-design and would raise the utility of goods.

[Question] In conclusion; maybe it will be possible to give the "naked" at least a ray of optimism. What products of the light industry will we lack the least in the coming period?

[Answer] Although despite everything we are still not "naked." I am aware of current social expectations towards the light industry. As I had mentioned, radical changes for the better can come only after we will be able to stem the shortage of labor, and after we will "enrich" the industry with modern machines and installations.

As a result of actions taken so far, we expect that during the next year we will balance supply and demand for shoes (except rubber), lessen the shortages of hosiery and knitted goods, and of coats and clothing. We will continue to give preference to the children's market, where this year we expect to fulfill and overfulfill our goals. For a complete fulfillment of market demand in all stocks we will have to wait a while.

12495

CSO: 2600/1242

RENEWED THREAT OF OVEREXTENDED CAPITAL SPENDING CITED

Warsaw RZECZPOSPOLITA in Polish 16 Aug 83 p 3

[Article by Malgorzata Szyszlo: "New Version of Old Mistakes--Danger on the Investment Front"]

[Text] The Main Statistical Office's communique on the country's socio-economic situation mid-year contains a great deal of data showing that economic difficulties are being overcome. Production is rising, labor productivity is on the increase, and management effectiveness is improving. There are several adverse phenomena, however. Among them, besides the fact that expenditures are rising more rapidly than production and that production structure is not being adapted rapidly enough in the processing industries to meet the needs of the market, there are disturbing trends to expand the investment front and delays in completing those investments which are particularly important for the economy.

Between January and May of this year (there is a month's delay in the availability of data concerning investments) 3,500 investment projects totalling a cost-estimate value of 123.8 billion zlotys were begun in the socialized economy. For example, 1,063 projects in industry valued at 31.8 billion zlotys and in agriculture, 982. During the first half of the year, investment outlays in the socialized economy amounted to 396 billion zlotys. This represents 50.3 percent of the plan specified in the Central Annual Plan. In constant prices, this represents 21 percent more than during a similar period last year. Expenditures for building and installation were followed through on to the extent of 54.6 percent.

Delays and "Slips"

Hence there would be cause for rejoicing were it not for the fact that the funds expended did not bear fruit in the execution of tasks in a material sense. Within the socialized economy, 73.1 percent of the investment construction tasks were completed and put into operation. In terms of the cost-estimate, this figure represents the percentage of tasks projected for completion in keeping with contracts made between investors and contractors.

The worst figures are found in the chemical industry and light industry, where only 30.3 percent of the direct tasks were carried out, and in agriculture and the food economy, where the figure was 53.7 percent.

The execution of central investments made the worst showing. Deadlines were not met for completing investments, for example, on the vinyl chloride plant and solvent plant at the Nitrogen Plants in Wloclawek or the first ammonia production line at the Police Chemical Plants. Furthermore, the Polam Illumination Equipment Plant's light globe element technological line was not mobilized on schedule either.

The government orders employed to cover the ten major central investments provides the assurance that work will be speeded up on the building sites. The concentration of equipment, men, and materials should bring about punctual mobilization of production of goods needed both for the production of other items and for supply to the market.

The issue of investments not enjoying priority treatment but nonetheless important to the economy remains unresolved. In this case it is necessary to concentrate means and capacity on the construction of those installations which can and should be completed in a relatively short time and produce what is most needed on the market. Meanwhile the trend to expand the investment front and to scatter means and capacity continues to develop.

#### Causes and Effects

Project delays calculated not in months but in years result from the excessive number of construction projects in progress at the same time, the scarcity of building materials and machinery, and the shortage of qualified personnel.

Investors sign agreements with contractors without assurance of the needed financial outlays or full cost-estimates and design documentation. This is one of the "investment" symptoms of a disease which goes back to the 1970's, a disease which has contributed substantially to our present economic difficulties. Therefore, we must combat with rapid, effective measures the notion that once we start to build it will somehow all work out later. The dispersion of means and capacity to begin new projects instead of finishing those already begun in prior years bring only losses.

We must not forget the price we had to pay for the undisciplined investment policy of years past. Many investments were held up, and a sizeable share of them had to be cut off.

At the end of last year about 4 trillion zlotys was committed to investment construction in the socialized economy. Of this 2.9 trillion zlotys was in investments being carried out and 1.1 trillion was in investments that had been interrupted. When we take into account the fact that between now and 1985 outlays for investment construction cannot exceed 600 billion zlotys per year by very much, then we can see that it will take nearly 5 years merely to complete investments in progress, but if we include the investments that have been interrupted, it will take more than 6.5 years. Thus, we simply cannot afford to embark on any new investments.

This of course does not mean that this year or during the next 2 years we should not begin any new investment. Such an assumption would be obvious nonsense, but the thing is for any new construction investments except for housing construction and associated development to be undertaken only in particularly justified instances.

In the discussion of the need to reduce the scope of the investment front, we must not overlook the fact that investments have an inflationary impact, because a substantial share of the funds expended on the construction of buildings goes for employee wages.

#### Economic Instruments

Discipline on the investment front is furthered among other things by the principles of bank credit policy. In the first place, investment credit is granted to complete projects begun in previous years. Only after continuing investments have been taken care of can credit be allocated to finance the construction of new installations. In this instance in funding priority goes to investments in those areas to be given preferential treatment, that is, those related to the food complex, production for the consumer and export markets, and savings of fuel, power, and raw and other materials. The targets of investment policy should be efficient in protecting the economy against overextending the scope of investing.

So then how was it possible to begin work on more than 3,500 building sites? Besides the shortage of men and materials, what are the causes for the snail's pace at which work is proceeding on many building sites? Answers to these questions are being sought by members of the interministry group to assess investment activity.

Stanislaw Pajewski, chairman of the group and director of the Investment and Construction Group of the Council of Ministers' Planning Commission says that the adverse phenomena noted during the first half of this year were largely the result of the special-interest approach to investments found in various branches and at various levels of management. After all it is not so difficult for economic units to begin carrying out new investments, because we can look at how commonly we find advantageous provisions in terms of income tax, exemption from the requirement to make depreciation payments on behalf of the budget, and so on, so that in many instances investors can initiate construction without investment credit. I am convinced that they will sooner or later come to the bank for financial assistance, and then we face the next problem: what to do about investments which have already been begun. For this reason the economic instruments must be thoroughly examined and modified as soon as possible to steer investments in the direction which is most desirable from the viewpoint of the country's economy.

We should also consider whether the central supervision of beginning new investments requiring budgetary support should not be increased. Up until the end of 1985 it will be necessary to obtain the consent of the chairman of the Council of Ministers' Planning Commission in cooperation

with the Minister of Finance, prior to beginning an investment of this type with a cost-estimate value above 500 million zlotys.

When the tightening of our investment belt has become an economic necessity, any sort of voluntarism in this area represents a real threat to the execution of economic aspirations. All potential investors should remember this fact.

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YUGOSLAV WEEKLY VIEWS PROSPECTS FOR BUSINESS BANKRUPTCY LEGISLATION

Belgrade NIN in Serbo-Croatian No 1704, 28 Aug 83 pp 39-40, 41

[Article by Ilija Marinkovic: "Socialist Bankruptcy"]

[Text] "Finally, We Have Bankruptcy!"--exclaimed the headline of a lead article in the Warsaw weekly POLITYKA with relish when at the end of last year a district court in Sosnowiec ruled that the BUDOSTAL-4 industrial construction enterprise should go into liquidation. In addition to this firm, there were around 240 other enterprises on the list of Poland's potential "bankrupts," firms in which banks no longer had any confidence. For the first time in the history of the East European socialist countries the term "bankruptcy" was placed into general circulation. The package of measures provided for under Poland's economic reform program also included a draft version of a "Law on the Fiscal Rehabilitation of State Enterprises and Their Liquidation," popularly referred to in the press as the "bankruptcy law."

Polish enterprises made the transition to the new system of self-financing in July of last year, and prior to that, their respective states of financial health had been audited by banking institutions. According to initial estimates, it had been expected that more than 700 business organizations would be declared insolvent, meaning that many of them would have to go into receivership. Things were worst in the construction industry, where 169 insolvent enterprises were turned up.

Neither Guillotine, Nor Scarecrow

Sometimes with the help of various "patrons" (ministries, political forums) and sometimes by way of various behind-the-scenes deals a large number of these "suspect" enterprises succeeded in making it through this first screening process, although their improved business practices did not always produce the kind of results which would convince banks that they had regained their financial stability. In such cases the National Bank of Poland has refused to issue new long-term loans and is instead issuing only small-scale loans.

The BUDOSTAL affair, in addition to the bankruptcies of the municipally owned taxi service enterprise in Wroclaw and some other small organizations,

created a big furor, but the management of these 240 insolvent firms showed no signs of being overly nervous, much less so afraid of having to go into liquidation. Provisional regulations, under the terms of the so-called Directive No 17 of the government's Economic Committee, provided at least two ways out for the "innocent."

First of all, an enterprise in such a position can apply for an "allowance" or exemption from taxes (with the support of the appropriate agency with jurisdiction this can be easily obtained from the Ministry of Finance). The second option is to apply for a budget-financed subsidy for the "restructuring of production programs." In both cases this most often boiled down to an evasion of the law, since the conditions for obtaining such relief were met only superficially, whereas political factors were really responsible for insuring the survival of such factories.

The supporters of economic reform had submitted a new draft version of the "bankruptcy law" as long ago as last summer. Will this new law be a guillotine, or just a scarecrow? If it is supposed to be a guillotine, on whose neck will the blade fall and what route will be taken to reach the scaffold?

The response of legislators to these and other dilemmas was terse and emphatic: Neither guillotine, nor scarecrow! The very name of the law indicates that the main emphasis is being placed on "fiscal rehabilitation" of enterprises and that the "bankruptcy" measures will be applied only in extreme cases. Of course, this concept did not generate much enthusiasm among advocates of radical reforms, people who fear--with reason in some cases--a new wave of "swindles" or "political rescue operations" for firms which are unquestionably bankrupt. In this connection they pointed out the nonchalant behavior of directors in enterprises which had been "called on the carpet."

The BUDOSTAL affair in Sosnowiec is a typical example of a "socialist bankruptcy," one of many such cases inherited from the centralized-bureaucratic system of the 1970's. The firm was founded as BUDOPOL in 1978 in Katowice. The formation of a "construction industry giant" in the Silesian industrial-mining basin, which is plagued by a chronic manpower shortage, was doomed in advance to failure. Barely 200 workers were found to staff this enterprise, but to oversee this work force several hundred white collar workers were hired to fill management positions at BUDOPOL. The latter left a legacy of chaos in the firm's records and accounts. The firm did flourish for a time thanks to a major capital construction project--the construction of the "Katowice" Iron and Steel Works. When at the beginning of 1981 this capital project was "frozen," all of the subcontractors collapsed, and the BUDOPOL management, having failed by following proven methods to latch onto some other more competent contractor enterprise, wound up in an extremely agonizing position.

In March 1982 the construction industry minister issued a ruling calling for the liquidation of this enterprise, and he appointed the thus far very successful firm BUDOSTAL-4 as the "liquidator." It soon came out that



BUDOPOL's total assets were worth barely 200 million zlotys, while its bank debt alone exceeded 400 million zlotys! When 230 other creditors came along with financial claims of their own, it became clear that this "bankrupt" was going to drag down its "liquidator"--BUDOSTAL-4--with it.

Lacking any more recent laws governing this sort of thing, the bankruptcy proceedings were conducted in conformity with a law dating back to 1934 that was drawn up under orders from Marshal Pilsudski. This bourgeois-era legislation provided an excellent solution to the problem as far as routine procedures were concerned, but it did not provide any answers to many other complex questions that were bound to be raised in a socialist, planned economy, e.g., what would be done to help the laid-off workers make a living, at what prices would the enterprise's assets be sold, and so on.

The minister had at the very outset replaced the entire management team at BUDOPOL, a decision which, as it later turned out, had catastrophic consequences. The former chief executive officers and middle-managers found good jobs elsewhere, and the few management officials left over were not in a position to offer even the most basic kinds of information about how the business had been run. They could not even list the addresses of the firm's warehouses and abandoned building sites.

The local press ran a lot of articles on the scandalous situation at BUDOPOL construction sites. Expensive and often scarce materials were disintegrating, and many unfinished buildings were falling to pieces in the wind and rain. The greatest bitterness was triggered by the suspension of work on the construction of the Knurow housing project in Katowice, where all contractors fled from the construction sites as soon as they heard about BUDOPOL being declared bankrupt.

"A big hue and cry was raised over this after General Jaruzelski's visit. The project was taken over by the ROW combine, and they promised that they would finish the job in short order," said one of the "liquidators" of the collapsed firm. "And once again--nothing at all came of it! I was over there yesterday. There were just two workers milling around the almost 14 unfinished buildings. And hundreds of miners are waiting for apartments in these buildings."

#### An Ounce of Prevention Is Worth a Pound of Cure

Eight months have passed since this first bankruptcy in the history of socialist Poland. Eight months filled with heated debates on future laws which are supposed to govern healthy business practices and the application of legal remedies for dealing with firms "on the skids" or going out of business.

Following the old maxim that "an ounce of prevention is worth a pound of cure," the authors of the original draft version of the "bankruptcy law" stressed that the law "has to serve not only to protect the interests of creditors, but also and primarily it should prevent situations from arising that require the liquidation of enterprises." In reply to the question as

to whom and what should be protected, they said that the law should serve as a collection of mechanisms which will automatically rid the national economy of unprofitable enterprises.

As the debate went on this principle was watered down to some extent. It was shown that those enterprises in the greatest jeopardy often are those which perform functions of special importance to the public interest and without which it will not be possible to restore economic equilibrium. The rules and regulations issued under martial law served to support this argument (as the provisional measures for overcoming the so-called crisis situation do now), under the terms of which the country's largest enterprises are exempted from the provisions of ordinary statutory law. Thus, one-fifth of the country's strongest economic organizations were free not to worry about bankruptcy, a fact which some economists regarded as posing a direct threat to the economic reform program ("the more enclaves and exceptions there are, the less effective the new laws will be").

Having grown apprehensive over the excessively large number of "bankruptcy candidates," the legislators decided to "trim" the bankruptcy bill, and so they focused most of their attention on the creation of an "alarm system" that would provide early warning in case some enterprise got too close to the "danger zone." On receipt of the first warning signals the director of a given enterprise is required to advise the workers council and the parent agency of the fact that the enterprise may suffer losses. This would serve to initiate "internal housecleaning procedures," that is, the prompt drafting of an urgent program for the economic recovery of the work organization.

Out of respect for the principles of self-management and enterprise independence the legislators shifted all responsibility for the implementation of these "recovery programs" onto the enterprise employees and their self-management bodies. The views of the parent agency or banks are to be solicited only in the event that the enterprise in question should submit applications for new loans or subsidies. Once every 3 months the workers council is to review the implementation of the "recovery program" and it may withdraw its support for the program if it concludes that these housecleaning procedures have not produced any positive results.

#### The Banking Dictatorship

If a parent agency decides that a "recovery program" is not producing positive results, it is authorized to place an enterprise into receivership, thereby imposing substantial constraints on the independence of the enterprise and the self-management rights of the workers. Only when this measure too fails to produce the desired results would the parent agency then proceed to file suit with a court of appropriate jurisdiction demanding that the enterprise whose assets are insufficient to cover its debts should be declared bankrupt.

Before the assets of an enterprise are "placed on the auction block," the court would invite other work organizations to take over (merge with) the

insolvent firm. The executive officers of bankrupt firms would be subject to severe official and financial penalties, in addition to being prohibited from serving in business management positions for a period of 5 years. The members of the workers council would also lose the right to be elected to positions in self-management bodies.

Even while this draft law was still under debate in the Sejm, the principles reflected in its provisions were already being applied in practice. In July, for the second year in a row, the banks proceeded to "classify" enterprises to which they refused to issue investment, recovery, and other types of loans, thereby placing them on the list of "bankruptcy candidates."

This summer one well-known electronic equipment factory wound up on this "blacklist." A major capital investment project, launched during the "Gierek era of success," was brought to a halt at the halfway mark.

Overnight the factory found itself saddled with a debt of around 3 billion zlotys, half-finished new production lines, and enormous inventories of costly fabricating materials which it had been stockpiling over the years in expectation of "projected production programs." The factory management informed the bank about all this in the hope of obtaining appropriate loans that would enable it to complete its capital projects and pay off its debts. The banks replied along the following lines: All right, you'll get your money, but you have to show us the "recovery program" you plan to initiate in order to be able to make regular payments on your loans. Over the course of a few days a "brain trust" at this factory drew up a "document" in which verbal promises were made to the effect that productivity would be raised, provisions would be made for instituting organizational and technological improvements, steps would be taken to boost export sales, and so on and so forth. In any case, they closed this document by warning the bank that, insofar as it did not approve these loans, they "would have the future of the Polish electronics industry on their conscience," in addition to pointing out that they would report their predicament to the Sejm, the vice premier, and a dozen or so ministers who had "promised their support."

The authors of this "important document" were aghast and astonished when the bank turned them down once again, chastising them by making the claim that this did not amount to any kind of "recovery program," rather it was nothing more than a "phrasebook," from which it was impossible to tell what specifically they planned on doing. All the more so in view of the fact that it would take more than just boosting output and export sales to repay a debt of 3 billion zlotys. Guarantees from government ministers would not count for much without the backing of a government decision to draw on the budget to "inject" some money that could be used to bring the construction site of the new factory back to life.

"This is some strange 'socialist bank,'" was the exasperated comment coming from the management of this enterprise. "First they finance everything you ask them to finance, and then, after the introduction of the reform, they wash their hands of you and say: 'From now on figure things out for yourselves.' This is no partnership. This is a dictatorship!"

The bank's reply to all this is as follows. The reform has had an impact on us solely to the extent that we have ceased to work like a gasoline pump which anybody can use to pump out as much as they want. Nowadays we all have to realize that we have a hole in our pocket, and this is why we have to use good judgment in doling out every single penny. It holds true throughout the world that the one who has the money is the one who lays down the law.

And so this "one strange bank" suggested to the factory that it should act before the end of September to work out an "honest housecleaning program" which, among other things, should contain guarantees from government ministries and other institutions willing to provide financial assistance to help finish this capital project. "In the reformed Polish economy," the bankers pointed out, "the rules of 'statistical game playing' no longer apply, the rules according to which up until recently one could 'prove anything and get everything.'"

In commenting on this controversy the daily ZYCIE WARSZAWY came to the following skeptical conclusion: "Even if the bank does hold all the aces in its hands, this firm (with the help of the government and its friends) will still carve out some refuge for itself in the end." Since the clause concerning "special public interests" can be applied to protect even the worst of the "socialist bankrupts."

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PROGRESS OF ANTISPECULATION DRIVE RATED BY GOVERNMENT BODY

Warsaw TRYBUNA LUDU in Polish 8 Jul 83 p 5

[Article: "Fight To Combat Black Market Continues"]

[Text] The Central Commission to Combat Black Marketeering made an assessment on 7 July of the extent to which the suggestions made at the January National Meeting on Combatting Black Marketeering had been carried out. The session was chaired by deputy premier Zenon Komender.

Following the meeting, the directors of ministries, central agencies, and central cooperative unions were presented with more than 70 suggestions aimed at limiting speculative phenomena and other improprieties in the functioning of the economy. For its part, the Presidium of the Government charged the trade ministry, for example, with severely prohibiting the sale of commodities between factories and prohibiting the units of the socialized economy from selling the goods they produce to their employees. Unfortunately, the execution of this instruction leaves something to be desired, as was discovered in the course of the deliberations.

On the other hand, the suggestion concerning the regulation of sales of used automobiles is in its final stages. At the instigation of the Central Commission to Combat Black Marketeering, an interministry group was created to draft a proposal for the elimination of abuses in the sales of automobiles. The basic restrictive solutions consist of entrusting this sector of the market to units of the socialized economy, which will handle vehicle turnovers in the form of procurement, commission sales, and agent relations. Also envisioned is the operation of appropriately reorganized automobile exchange markets also conducted by socialized enterprises. The exchanges are to operate on the basis of regulations established by the local body of the central government administration. In the efforts to limit black marketeering and unjustified profits in the auto trade, economic instruments will play an important role, that is, mainly the treasury fee on auto sales already introduced.

We must not wait for the implementation of the suggestion regarding effective control and supervision of socialized transport drivers' collection and consumption of fuel. After the elimination of accounting records it is absolutely impossible to monitor motor transport, and according to police findings this

area is very subject to abuse. It was stated at the commission meeting that this issue is urgently in need of attention. The ministries involved should conduct a thorough analysis or else restore documentation to bring back discipline in fuels management and make appropriate decisions in this connection.

Many suggestions concerned the forms and effectiveness of operation of internal audit units. These matters have been made subject to regulation through the Council of Ministers resolution on monitoring and audits conducted by bodies of the government administration, to go into effect as of 1 July of this year.

Following the January meeting and comments on the activity of certain Polish emigre firms, the financial control body inspected 60 firms concerning the way they were operating under the permits they had been given. The reports are now being reviewed by the Supreme Chamber of Control. Changes are being prepared in the principles of levying taxes on Polish emigre firms to adapt the turnover tax rate to the principles in effect for the socialized economy.

The overwhelming majority of the suggestions from the National Meeting on Combatting Black Marketeering have been carried out, as people's positive comments at the commission's deliberations show, but it was also pointed out that new trends are appearing on the black market. Following the promulgation of the law to maintain sobriety and combat alcoholism, which has strict regulations, there is the danger that black market sales of liquor will increase, especially beer.

Information on the problems of the struggle against black marketeering in Ostro-leka Voivodship was presented by the chairman of the voivodship's local commission to combat black marketeering.

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## WORK OF KRAIGHER COMMISSION CRITICIZED

AU112035 [Editorial Report] Belgrade BORBA in Serbo-Croatian on 3-4 September on page 3 carries a 1,400-word article by Djoko Kesic entitled: "What After the Kraigher Commission?" Kesic says that the Long-Term Economic Stabilization Program as well as the other 17 documents prepared by the Kraigher commission, that is, the Commission of the Federal Social Council for Economic Stabilization, deal with the necessary changes in the country's economic policy mainly only in principle and in a declarative way. He reports that the question "What After the Kraigher Commission," which has been repeatedly asked in many places since the Kraigher Commission completed its work, has been now partly answered by the Belgrade Institute of Economic Sciences, which has worked out a program of specific measures and solutions for realizing in practice the Strategy of Long-term Economic Development of Yugoslavia's Energy Industries within the economic stabilization program. The institute will offer its program to the Commission of the Federal Social Councils for Economic Stabilization, the Commission for Applying and Implementing the Plan for Realization of the Long-Term Economic Stabilization Program, and some other high delegates and state bodies, Kesic says.

Kesic further reports that, according to Milan Djuric, scientific adviser of the Belgrade Institute of Economic Sciences and initiator of the aforementioned program prepared by the institute, the Kraigher commission's document on Yugoslavia's energy industries "deals with the problems of socioeconomic relations very narrowly, incompletely, and superficially and disregards or discusses in a completely generalized way the vital problems of the system of economic operations, expanded reproduction, education system, price controls, the conditions for earning and distributing income, and other essential issues. Therefore, it is impossible on the basis of that document to determine the strategy of long term development of this branch of the economy," Djuric says, according to Kesic.

The Belgrade Institute of Economic Sciences points out that a "project of strategy of economic development of the energy industry should deal in detail with all the key problems of this branch of the economy, that is, the system of production and of economic operations planning of development, the system of expanded reproduction, education, social price control, production of energy,

production organization, business association, and management," Kesic reports. However, as Milan Djuric points out, according to Kesic, "at least 18 months of work would be needed to work out this project." The Belgrade institute would be prepared to act as coordinator of this work in which various scientific workers and economic representatives would participate. The costs of the work would be carried by the associated labor and the Economic Chamber of Yugoslavia.

In this connection Kesic points out that this problem of transforming the long term economic stabilization program into practice does not involve only the sphere of energy industry. "On the contrary, it is difficult to believe that we will derive any great benefit from the great labors of the Federal Social Councils," he says. In the meantime, until scientists work out the ways of implementing the new economic policy, solutions must be found for some acute problems. As Kesic reports, this is the opinion of the Belgrade Institute of Economic Sciences which also points out that, in our country, the law of supply and demand is operative exclusively only in the fresh produce open markets. Under the conditions of absence of effective economic laws, "the Federal Executive Council has taken a number of measures among which many were adopted under pressures from and conditions imposed by the IMF." The problem of the real exchange rate of dinar must be urgently solved because "who can believe that the decline in the value of the dinar by up to 60 percent in relation to dollar will bring recovery to our economy," an economy which depends on the dollar market, the Belgrade Institute of Economic Sciences says, as Kesic reports. The institute also stresses that inflation has been in fact promoted by all kinds of spending and by imports, that the country's economy cannot be competitive in the world market because of the weak currency, and that the idea of bring Yugoslav prices into accord with world prices cannot work under the conditions of a shortage of many products in Yugoslavia.

Noting these views of the Belgrade Institute of Economic Sciences, Kesic says that "the Kraigher Commission has failed to provide answers to all these questions either because most of its members were the same individuals who directly participated in bringing about the existing situation or for some other reasons. All in all, it is difficult to believe that the Federal Executive Council will provide the necessary answers with its measures, which resemble more a fire extinguishing action than the implementation of a long-term economic policy."

Kesic wonders why the Belgrade Institute of Economic Sciences as well as other similar institutions were not included in the work of the Kraigher Commission. As it is, "we have lost 2 years with the work of the Kraigher Commission and now it will be necessary to wait another 2 years before we can embark on the road of our new economic orientations. And somewhere here between the lines there is the sensitive question: What will happen if a new discussion starts now about possible new perceptions of old problems? How much more time will we need then?" Kesic concludes.